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14 November 1975

MEMORANDUM FOR THE RECORD

SUBJECT: Support to Congressman Santini
on the East German Budget

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The attached was prepared for [] Congressional
Support Office, per his request of 13 November. [] was
responding to a request from Representative Santini (Democrat-
Nevada). The attachment describes the East German budget and
revenues and expenditures for 1972-1975.

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Eastern Europe Branch

Attachment:
as stated.

Distribution: (S-09161)

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MEMORANDUM

East German Budget

1. The East German state budget consists of the budget of the republic, the budgets of regional authorities, and the centrally planned financial resources of state-owned enterprises (VEBs). Because it contains valuable information on important and sensitive aspects of economic activity and state policy, detailed information on its contents is closely held. The Ministry of Finance insures that versions circulated within the government are carefully edited, and only selected figures are released for publication. Moreover, the unattributed portion of expenditures swelled from 34% to 46% of the budget during 1973-1975, probably a reflection of massive government subsidies to insulate the domestic price level from Western inflation.

2. The budget supports industrial and agricultural enterprises with subsidies and other payments, but most investment funds are now channelled through the banking system. The budget also makes substantial direct payments to individuals, mostly as pensions and social security benefits. It is the sole source of financing for national defense, civil administration, and public services.

3. Turnover taxes, paid by producers but levied mostly on consumer goods, provide a large share of budget revenues. Profit taxes on socialized enterprises are also an important source of revenue, as are various taxes on private concerns. Additional revenues are derived from direct wage and income taxes, land-use taxes and payments into the social security fund by employees, employers, cooperative members, and the self-employed.

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Consolidated State Budgets

(Million GDR Marks)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Revenues				
Social security	10,203.7	10,470.4	10,877.6	11,372.2
Production, inventory, profits, and output taxes and other receipts	44,229.8	51,297.7	57,198.8	64,890.6
Socialist cooperatives and workers' taxes	1,062.6	1,050.8	1,090.6	1,114.0
Others	<u>26,805.2</u>	<u>27,442.9</u>	<u>30,395.9</u>	<u>29,089.3</u>
Total revenues	82,301.3	90,261.8	99,562.9	106,466.1
Of which:				
Central government	64,381.9	70,498.0	77,115.5	82,000.5
Bezirke	17,919.4	19,763.8	22,447.4	24,465.6
Expenditures				
Education, culture, health, housing, subsidies	22,681.4	24,826.5	26,693.7	28,045.7
Replacement of fixed assets for sports, education, etc.	979.1	1,002.9	1,049.6	1,093.2
Social security	15,904.8	18,569.6	19,811.1	20,419.1
Financing of scientific tasks and investments of VEB's, state combines, and VVB's	3,965.3	5,214.5	6,714.2	1,022.7 ^{1/}
State farms investments, price surcharges, soil improvement, etc.	2,202.8	2,061.3	2,157.0	2,110.5
Defense	7,625.0	8,328.0	8,938.0	9,564.0
Others	<u>28,885.9</u>	<u>30,196.0</u>	<u>34,154.3</u>	<u>44,153.9</u>
Total expenditures	82,244.3	90,198.8	99,517.9	106,409.1
Of which:				
Central government	64,324.9	70,435.0	77,070.5	81,943.5
Bezirke	17,919.4	19,763.8	22,447.4	24,465.6
1. Scientific tasks only.				